

Financial Statements
PORTER TOWNSHIP
Midland County, Michigan

March 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|-------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name PORTER TOWNSHIP | County MIDLAND |
| Audit Date 3/31/04 | Opinion Date 9/9/04 | Date Accountant Report Submitted to State: 9/28/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations



You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|---------------------|------------------------|
| Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE AND COMPANY, PC | | | |
| Street Address 308 GRATIOT AVENUE | | City ALMA | State MI |
| Accountant Signature <i>Richard Prestage & Company P.C.</i> | | ZIP 48801 | Date 9/28/04 |

Porter Township
Financial Statements
March 31, 2004

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Porter Township
Township Board
March 31, 2004

Robert Fleming

Supervisor

Marianne Corbat

Clerk

John Girvin

Treasurer

Donald Anger

Trustee

Laura Northrup

Trustee



Independent Auditor's Report

Township Board
Porter Township, Michigan

We have audited the accompanying financial statements of Porter Township as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of Porter Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed assets account group, which should be included to conform with accounting principles generally accepted in the United States of America. The Township has not maintained a record of its general fixed assets.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Porter Township, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 9, 2004 on our consideration of Porter Township's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Roslund, Prestage & Company P.C.
Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 9, 2004

Porter Township
 Combined Balance Sheet - All Fund Types
 March 31, 2004

| | <u>Governmental Fund Types</u> | <u>Fiduciary Fund Types</u> | Total (Memorandum Only) |
|--|------------------------------------|---------------------------------|-------------------------------|
| | <u>General</u> | <u>Agency</u> | |
| ASSETS | | | |
| Cash | | | |
| Cash - Restricted | \$259,843 | \$1,516 | \$261,359 |
| Property Taxes Receivable | 30,790 | - | 30,790 |
| Accounts Receivable | 4,007 | - | 4,007 |
| Due From Other Funds | 10,558 | - | 10,558 |
| | <u>1,516</u> | <u>-</u> | <u>1,516</u> |
| Total Assets | <u><u>\$306,714</u></u> | <u><u>\$1,516</u></u> | <u><u>\$308,230</u></u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities | | | |
| Accounts Payable | \$4,534 | - | \$4,534 |
| Deferred Revenue | 38,670 | - | 38,670 |
| Due To Other Funds | - | \$1,516 | 1,516 |
| | <u>43,204</u> | <u>1,516</u> | <u>44,720</u> |
| Total Liabilities | <u>43,204</u> | <u>1,516</u> | <u>44,720</u> |
| Fund Balance - Unreserved | <u>263,510</u> | <u>-</u> | <u>263,510</u> |
| Total Liabilities And Fund Equity | <u><u>\$306,714</u></u> | <u><u>\$1,516</u></u> | <u><u>\$308,230</u></u> |

See Accompanying Notes To Financial Statements

Porter Township
Statement Of Revenues, Expenditures, And Changes
in Fund Balance - Budget and Actual
General Fund
Year Ended March 31, 2004

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------------|------------------|------------------|--|
| Revenues | | | |
| Taxes And Penalties | \$41,400 | \$43,740 | \$2,340 |
| Solid Waste Assessments | 56,112 | 60,331 | 4,219 |
| Licenses And Permits | 7,500 | 9,157 | 1,657 |
| State Grants | 80,000 | 90,468 | 10,468 |
| Interest And Rentals | 6,400 | 4,196 | (2,204) |
| Fire/Rescue Fees | 4,400 | 7,875 | 3,475 |
| Other Revenues | 3,750 | 3,925 | 175 |
| Total Revenues | <u>199,562</u> | <u>219,692</u> | <u>20,130</u> |
| Expenditures | | | |
| Legislative | | | |
| Township Board | 3,483 | 4,086 | (603) |
| General Government | | | |
| Township Supervisor | 9,817 | 9,276 | 541 |
| Elections | - | 9 | (9) |
| Assessor | 8,000 | 8,375 | (375) |
| Clerk | 15,085 | 15,136 | (51) |
| Board Of Review | 600 | 1,080 | (480) |
| Treasurer | 12,866 | 12,851 | 15 |
| Township Hall And Grounds | 9,939 | 12,002 | (2,063) |
| Cemetery | 3,000 | 3,531 | (531) |
| Public Safety | | | |
| Fire Protection | 19,000 | 17,185 | 1,815 |
| Rescue Runs | 2,000 | 7,800 | (5,800) |
| Zoning / Building Permits | 10,760 | 9,386 | 1,374 |
| Public Works | | | |
| Drains At Large | 13,500 | 11,374 | 2,126 |
| Highways, Streets, And Bridges | 24,000 | 25,071 | (1,071) |
| Solid Waste | 56,712 | 60,691 | (3,979) |
| Other | | | |
| Insurance, Bonds And Fringes | 10,800 | 10,194 | 606 |
| Total Expenditures | <u>199,562</u> | <u>208,047</u> | <u>(8,485)</u> |
| Excess Of Revenues Over Expenditures | - | 11,645 | 11,645 |
| Fund Balance - April 1, 2003 | 251,865 | 251,865 | - |
| Fund Balance - March 31, 2004 | <u>\$251,865</u> | <u>\$263,510</u> | <u>\$11,645</u> |

See Accompanying Notes To Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" these financial statements of Porter Township contain all of the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches. Control by or dependence on the Township was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligations of the Township to finance any deficits that may occur, receipts of significant subsidies from the Township, disposition of surplus funds, scope of public services, and whether the financial statements would be misleading if data were not included.

Measurement Focus, Basis of Accounting and Basis of Presentation.

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the government funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental Funds are used to account for the government's general government activities. Government fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Township considers all revenues available if they are collected within 60 days after year-end. Property tax revenue is recognized in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement No. 3, "Revenue Recognition of Property Taxes".

Expenditures are recorded when the related fund liability is incurred except expenditures are not normally divided between years by the recording of prepaid expenses, and payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

Porter Township
Notes To Financial Statements
March 31, 2004

Property taxes, interest, licenses, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Entitlement and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables." All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Memorandum Only – Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Fixed Assets

Fixed assets used in the general operations of the Township are recorded as expenditures when purchased and are accounted for in the general fixed asset account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. No depreciation has been provided on general fixed assets. Infrastructure assets, including roads, bridges, sewers, drains, curbs, and gutters are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not included in the general fixed asset account group.

The Township has not maintained a record of general fixed assets and, therefore, it is not presented in this report.

Budgets And Budgetary Accounting

Budgets are adopted by the Township for the general fund and special revenue funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Combining Statements

The Township has only one fiduciary fund, the Tax Collection Agency Fund. Accordingly, no combining financial statements are necessary for that fund type.

Property Taxes

Taxes are levied each December 1st based on the state equalized valuation of the property located in the Township as of the preceding December 31st. The Township bills and collects its own property taxes. Collection of taxes and remittance of them to various entities are accounted for in the Township's agency fund. Township property tax revenues are recognized when levied to the extent that they result in current receivables. These taxes are due in September (summer) and February (winter) with a final collection date of February 28th. The County purchases any uncollected real property taxes returned delinquent.

The 2003 state taxable value for the Township amounted to \$23,547,774, which ad valorem taxes levied for Township operations consisted of 1.30160 mills or \$30,646 for general operations. An additional assessment of \$120 per household was assessed on 498 households for solid waste removal.

Budgets And Budgetary Accounting

Budgets are adopted by the Township for the general fund and special revenue funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget is prepared on the modified accrual basis of accounting.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional level. The approved budgets of the Township for these budgetary funds were adapted to the functional level.

During the year ended March 31, 2004, the Township incurred expenditures in excess of amounts appropriated as shown on page two of this report.

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Deposits and Investments

Deposits are carried at cost. Deposits are in financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board Statement No. 3 risk disclosures for deposits at year-end are as follows:

| Deposits | Bank Balance |
|-----------------|---------------------|
| Insured | \$101,516 |
| Uninsured | 190,633 |
| Total | \$292,149 |

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, the balance sheet carrying amount of deposits was \$292,149. This amount includes \$30,790 in cash restricted for solid waste removal activity only.

Due From/To Other Funds

The amount of "Due From/To Other Funds" represents property taxes collected and held in the Agency fund that are due to the General fund.

Deferred Revenue

Deferred revenue represents taxes collected for solid waste removal in excess of the amount expended.

Retirement Plan

The Township of Porter contributes to the Manulife Financial Defined Contribution Pension Plan for Government Employees ("Manulife Plan"), which is a defined contribution pension plan. A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. The plan covers all elected officials or appointments to elected positions and these individuals become eligible to participate in the plan on the first entry date coincident with or immediately following the date of employment. Entry into the plan occurs on each April 1. The Township is required to make annual contributions based on 7.5% of compensation as defined in the plan document.

Employees may make voluntary contributions up to a maximum of 10% of their compensation. Contributions made either by employees or the employer shall be 100% vested upon a participant's death, disability, or normal retirement, or upon the termination of the plan. On termination of a participant's service, for other than the above, such benefits shall vest 100% immediately. During the year the Township's required and actual contributions amounted to \$2,784.

No pension provision charges occurred during the year that affected the required contributions to be made by the Township or its employees. The Township of Porter allocated retirement account held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

Porter Township
Notes To Financial Statements
March 31, 2004

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2004 were \$9,776. The expenditures incurred for this activity during the year ended March 31, 2004 were \$9,386.

Porter Township
Statement Of Changes In Assets And Liabilities
Tax Collection Agency Fund
Year Ended March 31, 2004

| | Balance 4/1/03 | Increases | Decreases | Balance 3/31/04 |
|---------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| ASSETS | | | | |
| Cash | <u>\$1,594</u> | <u>\$777,163</u> | <u>\$777,241</u> | <u>\$1,516</u> |
| Total Assets | <u><u>\$1,594</u></u> | <u><u>\$777,163</u></u> | <u><u>\$777,241</u></u> | <u><u>\$1,516</u></u> |
| LIABILITIES | | | | |
| Due To General Fund | \$1,594 | \$104,632 | \$104,710 | \$1,516 |
| Due To County | - | 426,496 | 426,496 | - |
| Due To Schools | <u>-</u> | <u>246,035</u> | <u>246,035</u> | <u>-</u> |
| Total Liabilities | <u><u>\$1,594</u></u> | <u><u>\$777,163</u></u> | <u><u>\$777,241</u></u> | <u><u>\$1,516</u></u> |

See Accompanying Notes To Financial Statements



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The Board Of Trustees
Porter Township
Midland County, Michigan

We have audited the general-purpose financial statements of Porter Township as of and for the year ended March 31, 2004, and have issued our report thereon dated September 9, 2004, which was qualified because the general-purpose financial statements omit the General Fixed Asset Account Group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Porter Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Porter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Porter Township in a separate letter dated September 9, 2004.

This report is intended for the information of management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 9, 2004



MANAGEMENT LETTER

To The Board Of Trustees
Porter Township

In planning and performing our audit of the financial statements for Porter Township for the fiscal year ended March 31, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated September 9, 2004 on the financial statements of Porter Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.

ROSLUND, PRESTAGE AND COMPANY, P.C.
Certified Public Accountants

September 9, 2004

Porter Township
March 31, 2004

COUNCIL OVERSIGHT

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Therefore, we recommend that the members of the Board of Trustees maintain a level of involvement in the financial affairs of the organization to provide appropriate oversight and independent review functions.

APPROVAL OF BUDGET

Although the budget is formally adopted, the minutes do not specifically refer to which budget was adopted. We recommend that the minutes refer to the total revenues and total expenditures included in the adopted budget as well as the date of the budget document presented for adoption.

In addition, the minutes also refer to approval of salaries and wages. However, the reference is to a percentage increase over the prior year's amounts. We recommend that the minutes be expanded to include the actual annual salaries and/or hourly pay rates. This will make the process of determining the specific salary or wage rates in effect much easier.

INDEPENDENT REVIEW AND APPROVAL OF BANK RECONCILIATIONS

Currently a person independent of the bank reconciliation function does not review these reconciliations.

We recommend that one or more members of the Township Board, other than the preparer, review all completed bank reconciliations on a monthly basis. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements. At the same time we also recommend that the reviewer inspect the bank statements and review them for any unusual transactions. The review of the bank statement will ensure that unusual items are investigated on a timely basis.

The reviewer(s) should then initial and date the reconciliation to indicate the review was completed.

Porter Township
March 31, 2004

GASB No. 34

On June 10, 1999, the GASB unanimously approved the issuance of GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This Statement will have a significant impact on the way state and local governments report their finances to the public.

GASB No. 34 establishes new requirements for the annual financial reports of state and local governments. The basic financial statements and required supplementary information will include Management’s Discussion and Analysis (MD&A). The MD&A is a narrative report prepared in an easy-to-read format by the financial manager. It should introduce the basic financial statements; provide an analytical over-view of the financial activities for the year based on the financial manager’s knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the government’s operations. Use of charts, tables, and graphs is encouraged.

In addition to the MD&A, full accrual accounting will also be required, which will incorporate capitalization of fixed assets, depreciation, and long-term liabilities into the financial statements. A substantial amount of time by management may be required to implement GASB No. 34.

The requirements of this GASB Statement are effective in three phases based on the total annual revenues of the government. For your Township, the effective implementation date is fiscal year beginning April 1, 2004 and will be reflected in the financial statements to be issued for the March 31, 2006 audit.

We would be pleased to assist you with implementing GASB No. 34.